

## Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02 IGA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 EUR-25 AGR-20 INT-08 RSR-01 /220 W

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R 140942 Z MAY 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3850

INFO AMEMB

ASSY JAKARTA 1557

C O N F I D E N T I A L TOKYO 5968

E. O. 11652: GDS

TAGS: EAID JA ID

SUBJ: QUESTION OF GOJ CONCESSIONAL LOANS FOR INDONESIAN  
TNG PROJECTS

REF THE HAGUE 2110

SUMMARY: REFTEL AND LOCAL PRESS REPORTS POSSIBLE GOJ  
FINANCIAT ASSISTANCE ( IN RANGE OF \$700 MILLION) FOR TWO  
PROPOSED INDONESIAN LNG PROJECTS IN NORTH SUMATRA ( MOBIL  
CONCESSION) AND SOUTH KATIMANTAN ( HUFFINGTON CONCESSION).  
GOJ AND BUSINESS SOURCES STATE NO DISCUSSIONS YET HELD.  
EMBASSY HAS IMPRESSION THAT PROJECTS NOT YET AT THIS STAGE.  
POSSIBILITY EXISTS THAT SENIOR INDONESIAN OFFICIALS AND  
PROMINENT JAPANESE BUSINESS AND POLITICAL FIGURES MAY  
SEEK HIGH POLITICAL DECISION AS FIRST STEP, A TA THE " OIL  
FOR LOANS" DEAL OF LAST YEAR. END SUMMARY.

1. REFTEL REPORTS THAT WIDJOJO, HEAD OF GOI DELEGATION  
TO IGGI MEETING, SAID THAT JAPAN IS PREPARED TO PROVIDE MIX  
OF HARD AND SOFT LOANS FOR TWO MAJOR LNG PROJECTS AND THAT  
COMBINATION WOULD PUT TOTAL FINANCIAL PACKAGE OUTSIDE MEDIUM-  
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TERM CREDIT RESTRICIONS. PRECEDING RECEIPT REFTTEL, LOCAL PRESS HAD CARRIED ITEMS THAT GOJ THROUGH JAPANESE EXIM BANK AND PRIVATE BANKS WOULD PROVIDE \$700 MILLION LOAN TO PERTAMINA FOR DEVELOPMENT TWO LNG PROJECTS IN NORTH SUMATRA ( MOBIL CONCESSION) AND SOUTH KALIMANTAN ( HUFFINGTON CONCESSION). EIGHTY PERCENT OF LOAN WOULD BE EXTENDED BY JAPAN EXIM AND TWENTY PERCENT BY PRIVATE BANKS. INTEREST RATE WOULD BE 5.6 PERCENT. ONE PRESS ITEM SUGGESTED THAT TERMS WOULD BE LOWER BECAUSE OF PARTICIPATION OF GOJ' S SOFT LOAN AGENCY, OVERSEAS ECONOMIC COOPERATION FUND ( OECF). ALSO IMPLIED THAT TOANS WOULD BE ARRANGED IN FASHION SIMITAR TO LAST YEAR' S " OIL FOR LOANS" AGREEMENT, I. E., ON HIGH POLITICAL LEVEL.

2. EMBASSY HAS CHECKED WITH FONOFF, MITI, MOBIL, AND NISSHO-IWAI, PRINCIPAL JAPANESE TRADING FIRM INVOTVED IN PROPOSED PROJECTS, TO FIND OUT WHETHER GOJ HAS AGREED TO FINANCING OF PROJECTS WITH PARTICIPATION GOJ AGENCIES. ALL SOURCES HAVE SAID THAT NO DISCUSSIONS HAVE BEEN HELD BETWEEN GOJ AND PROPOSED PARTICIPANTS IN LNG PROJECTS. IN RESPONSE QUESTION IF AGREEMENT MIOHT BE FIRST SOUGHT ON POLITICAL LEVEL WITH BUREAUCRACY BEING INFORMED LATER AS WAS THE CASE IN LAST YEAR' S " OIL FOR LOANS" DEAL, SOURCES HAVE SAID THEY HAVE NO INFORMTION ON THIS POINT.

3. COMMENT: JUDGING BY REPLIES, PROPOSED AGREEMENT, OR AGREEMENTS, NOT YET AT STAGE FOR SEEKING FINANCING FROM GOJ AGENCIES. POSSIBILITY EXISTS THAT SENIOR INDONESIAN OFNICIALS AND PROMINENT JAPANESE BUSINESSMEN AND POLITICANS ARE THINKING ALONG LINE OF GETTING BASIC DECISION INITIALLY AT HIGH POLITICAL LEVEL.  
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